

Message Text

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21

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 OMB-01 SCI-06 SCEM-02

INT-08 AID-20 EB-11 CIEP-02 TRSE-00 STR-08 CEA-02

COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 NEA-10

AF-10 FPC-01 DRC-01 /260 W

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TO SECSTATE WASHDC 8702

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USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, JA

SUBJ: OIL CUTBACKS TO JAPAN

REF: A. TOKYO 15634

B. TOKYO 15779

C. TOKYO 15889

SUMMARY: ACCORDING TO MITI OFFICIAL, GOJ WILL ANNOUNCE INCREASED CUTBACKS OF ELECTRIC POWER AND GUIDANCE FOR CUTBACKS OF PETROLEUM USE WITHIN NEXT TEN DAYS. CUTBACKS EXPECTED TO TOTAL AT LEAST 15-20 PERCENT EFFECTIVE EARLY JANUARY. USE OF EMERGENCY LEGISLATION POWERS, WHICH MITI EXPECTS WILL BE PASSED BY DECEMBER 21, WILL FOLLOW. MITI OFFICIAL SUGGESTED SOME DIVERSION OF CRUDE OIL FROM JAPAN NOW TAKING PLACE. END SUMMARY.

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1. E/COUNS CALLED ON SHOHEI KURIHARA, DIRECTOR OF COORDINATION

DIVISION OF MITI'S ENERGY AND RESOURCES AGENCY DECEMBER 12 FOR DISCUSSION OF FUTURE PLANS FOR PETROLEUM AND POWER CONSUMPTION REDUCTIONS IN JAPAN. KURIHARA BEGAN BY SAYING THAT MITI ESTIMATED CRUDE OIL SHORTAGES IN DECEMBER TO BE 18 PERCENT BELOW EXPECTED LEVELS. FOR JAN-MARCH PERIOD, KURIHARA SAID IT VERY DIFFICULT TO MAKE ANY FIRM PROJECTIONS, BUT NOTED THAT OIL COMPANIES PREDICTING CRUDE OIL SHORTAGES WOULD BE IN EXCESS OF 25 PERCENT BELOW EXPECTED LEVELS.

2. IN RESPONSE TO E/COUNS QUESTION, KURIHARA SAID THERE WERE SEVERAL REASONS WHY CUTBACK FIGURE HIGHER THAN THEORETICAL CALCULATIONS MIGHT INDICATE:

A) EUROPEAN DEPENDENCE ON OPEC SOURCES WAS HIGHER THAN JAPAN'S HENCE, WHEN SEVERAL EUROPEAN COUNTRIES WERE GIVEN FRIENDLY STATUS (I.E. GIVEN FULL OIL SUPPLIES) IMPACT ON JAPAN WAS INCREASED;

B) OIL CONTRACTS WITH MAJORS GENERALLY EXPIRED AT END OF YEAR. WHILE MAJORS WOULD HAVE TO RENEW SOME OF THESE CONTRACTS, KURIHARA SAID, RENEWAL OF OTHERS WAS IN DOUBT;

C) TANKER ARRIVALS IN JAPAN HAVE BEEN DELAYED SINCE TANKERS ARE HAVING TO VISIT TWO OR THREE PORTS TO GET FULL LOADS;

D) NOVEMBER FIGURES FOR CRUDE OIL RECEIPTS IN JAPAN SHOWED THAT CRUDE OIL IMPORTS FROM IRAN WERE CONSIDERABLY BELOW WHAT THEY SHOULD HAVE BEEN (AMERICAN OIL INDUSTRY SOURCE WHO SAW KURIHARA ON DECEMBER 11 SAID LATTER USED FIGURE OF 30 PERCENT SHORTFALL IN OIL IMPORTS FROM IRAN IN NOVEMBER). KURIHARA SAID HE DID NOT KNOW WHY THIS WAS HAPPENING, BUT SOME MITI OFFICIALS THOUGHT THAT OIL WAS BEING DIVERTED TO EUROPE OR TO U.S. E/COUNS RESPONDED THAT EMBASSY WOULD BE WILLING TO LOOK INTO SPECIFIC CASES WHERE DIVERSION BY U.S. MAJORS SUSPECTED. KURIHARA SAID HE HAD NO SPECIFIC INFORMATION ON ANY DIVERSION AT PRESENT, BUT SEEMED PLEASED WITH OFFER AND SAID HE WOULD SUPPLY ANY INFORMATION WHICH BECAME AVAILABLE.

3. REGARDING ELECTRIC POWER, KURIHARA SAID MITI WOULD ANNOUNCE, PROBABLY WITHIN NEXT TEN DAYS, MEASURES TO BE EFFECTED IN JANUARY TO REDUCE CONSUMPTION OF ELECTRIC POWER. HE ADDED THAT CUTBACKS WOULD BE EXTENDED TO CONSUMERS OF 500 KW AND OVER (AS OPPOSED TO PREVIOUS MEASURES WHICH ONLY COVERED CONSUMERS OF OVER 3000 LIMITED OFFICIAL USE

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KW). THOUGH DECISION ON EXTENT OF CUTBACKS NOT YET MADE, KURIHARA SUGGESTED POWER CUTBACKS WOULD BE 15-20 PERCENT AND PERHAPS MORE. TO ENFORCE POWER CUTBACKS, MITI PLANS USE PROVISIONS OF EXISTING ELECTRIC UTILITY LAW, RATHER THAN ADMINISTRATIVE GUIDANCE. KURIHARA NOTED THAT UNDER LAW QUOTE NO POWER UNQUOTE DAYS COULD BE ORDERED FOR CERTAIN SECTORS, BUT NO DECISION HAD YET BEEN MADE ON WHETHER TO USE THIS AUTHORITY.

4. IN PETROLEUM PRODUCT AREA, KURIHARA NOTED THAT DURING COMING WEEK, MITI DIVISIONS WOULD BE MEETING TO DISCUSS DETAILED PROPOSALS FOR REDUCTION IN OIL CONSUMPTION. SUGGESTIONS TO BE CONSIDERED WOULD UNDOUBTEDLY INCLUDE BAN ON SUNDAY DRIVING IN JAPAN. MITI ALSO VERY LIKELY TO DECIDE ON ADMINISTRATIVE GUIDANCE TO LIMIT CONSUMPTION BY LARGE OIL CONSUMERS BEYOND PRESENT 10 PERCENT, PROBABLY IN RANGE OF ELECTRIC POWER CUTBACKS (15-20 PERCENT) EFFECTIVE EARLY JANUARY. HE SAID NO DIRECT CONTROLS CAN BE PUT ON OIL CONSUMPTION UNTIL PENDING LEGISLATION PASSES DIET (SEE TOKYO 15634).

5. KURIHARA SUGGESTED THAT PRESENT ADMINISTRATIVE GUIDANCE SYSTEM TO REDUCE POWER AND OIL CONSUMPTION HAD NOT WORKED VERY WELL. POWER CONSUMPTION WAS DOWN BY ONLY 5 PERCENT OVERALL, AND SOME PROBLEMS HAD BEEN ENCOUNTERED IN KEEPING REFINERS FROM EXCEEDING MITI GUIDANCE ON PETROLEUM PRODUCTS (SEE TOKYO 15779). RE LATTER AREA, HOWEVER, KURIHARA SAID QUOTE LARGER PROBLEMS UNQUOTE HAD BEEN SOLVED AND REFINERS' PRODUCTION AND SALES NOW MIRE IN LINE WITH MITI GUIDANCE.

6. KURIHARA SAID MITI HOPED THAT EMERGENCY LEGISLATION PENING ON PETROLEUM AND COMMODITY STABILIZATION WOULD PASS ON DECEMBER 20 OR 21. UNDER THE LAW, MITI WOULD BE EMPOWERED TO SET STANDARD PRICES FOR PETROLEUM PRODUCTS. MITI WOULD ACT AS SOON AS POSSIBLE RE KEROSENE AND LPG PRICES, HOWEVER, NO DECISION HAD BEEN MADE YET ON WETHER TO ESTABLISH IMMEDIATELY STANDARD PRICES FOR OTHERPETROLEUM PRODUCTS. AS FOR ALLOCATION AUTHORITY IN LEGISLATION, HE SAID THIS WOULD BE PHASED OPERATION. IN FIRST PHASE, NO ALLOCATION DIRECTIVES WOULD BE ISSUED (PRESUMABLY MITI WOULD ATTEMPT TO JAWBONE REFINERS AND CONSUMERS); LATER PHASE WOULD PROBABLY SEE SOME FORM OF ALLOCATION.

7. KURIHARA ALSO SAID JAPANESE STOCKPILES THROUGH THE END OF LIMITED OFFICIAL USE

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NOVEMBER HAD NOT FALLEN VERY MUCH BELOW ABOUT 57 DAY LEVEL. HOWEVER, IN DECEMBER, BOTH CRUDE OIL AND PRODUCT STOCKPILES WERE BEING DRAWN DOWN QUOTE TO CERTAIN EXTENT UNQUOTE. HE SAID PRECISE FIGURES ON DRAWDOWN WRE NOT AVAILABLE.

8. COMMENT: PRESS FOCUSING CONSIDERABLE ATTENTION ON POSSIBILITY OF ELECTRIC POWER CUTBACKS. SOME ARTICLES REPORT MITI PLANNING TO CUT POWER TO HOUSEHOLDS AT LEAST TWO HOURS PER DAY, 2-3 DAYS PER WEEK. ALL THIS SUGGESTS THAT ENERGY CRISIS WILL SOON BE MORE SHARPLY FELT BY AVERAGE JAPANESE CITIZEN THAN HAS BEEN CASE TO DATE.
SHOESMITH

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